

**EASTERN PROVINCIAL AIRWAYS
LIMITED AND SUBSIDIARY COMPANIES**

Consolidated Statement of Retained Earnings

FOR THE SIX MONTHS ENDED JUNE 30, 1973

(With Comparative Figures for 1972)

(Unaudited)

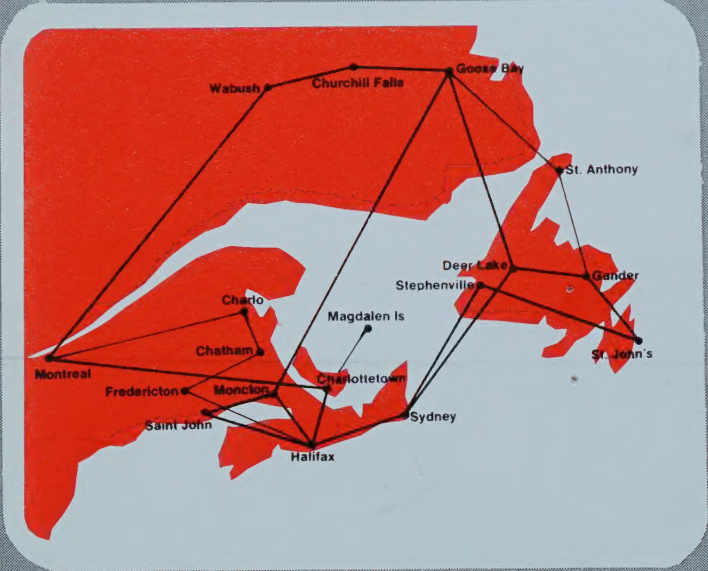
	1973	1972
	(in thousands of dollars)	
RETAINED EARNINGS, BEGINNING OF PERIOD		
As Previously Reported	\$2,638	1,120
Adjustments Relating to Prior Periods (net of deferred tax effect):		
Settlement of Federal Subsidy	189	24
Other	—	540
As Restated		
December 31, 1972	2,827	
December 31, 1971		1,684
NET EARNINGS FOR THE FIRST HALF	522	406
REALIZATION OF EXCESS OF APPRAISED VALUE OF PROPERTY AND EQUIPMENT OVER COST	49	49
	3,398	2,139
DIVIDENDS —		
PREFERRED SHARES	33	—
COMMON SHARES	60	—
RETAINED EARNINGS, END OF PERIOD	\$3,305	2,139

Comparative Highlights for the First Half

	1973	1972	% Change
EARNINGS			
Revenue-Gross	\$9,974,000	8,711,000	+ 14.5%
Net Earnings	522,000	406,000	+ 28.6%
Net Earnings per Share	41.0¢	40.6¢	+ 1.0%
FINANCIAL POSITION			
Working Capital	\$2,424,000	2,809,000	- 15.5%
Property and Equipment	11,362,000	3,420,000	+232.0%
Shareholders' Equity	6,154,000	2,895,000	+112.6%
Equity per Common Share	4.29	2.89	48.4%
SCHEDULED OPERATIONS			
Passengers Carried	228,601	161,802	+ 41.3%
Cargo Ton Miles	1,809,316	1,778,503	+ 1.7%
Revenue Ton Miles	11,038,546	8,686,927	+ 27.1%
Capacity Ton Miles	21,644,704	16,585,019	30.5%
Revenue/Weight Load Factor	51.0	52.4	- 2.7%

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EASTERN PROVINCIAL AIRWAYS
THE AIRLINE OF ATLANTIC CANADA



HEAD OFFICE
GANDER, NEWFOUNDLAND

TMS/R-B/3M



**EASTERN
PROVINCIAL
AIRWAYS**

SIX MONTHS REPORT
JUNE 30, 1973



President's Report

TO THE SHAREHOLDERS

Total revenue from operations for the first half of 1973 amounted to \$9,974,000 compared to \$8,711,000 for the first half of 1972. Total operating expenses for the first half of 1973 totalled \$9,151,000 whereas they totalled \$7,999,000 for the same period in 1972. Operating revenue, therefore, increased by 14.5% whereas operating expenses increased by 14.4%. Net earnings for the half year totalled \$522,000 which represents a 28.6% increase over the \$406,000 earned in the first half of 1972. Basic earnings per common share for the current half year amounted to 41.0¢ compared to 40.6¢ for the same period in 1972. Fully diluted earnings per share amounted to 39.1¢ for the current year compared to 40.6¢ for the same period in 1972 when there were fewer shares outstanding. The above operating results are in account with the internal budgets of your Airline.

The new Boeing 737 jet aircraft added to the fleet in March of this year made possible the introduction of our new service between Montreal and St. John's, Newfoundland with several intermediate stops including Stephenville which was a new point added to our Licence. The Airline is pleased to report that this route is already profitable and load factors continue to be encouraging.

In order to meet the demands of future growth and improve the service to our customers an Agreement has been signed with Air Canada for the provision of computerized reservation services utilizing its Reservac II System. The new system will be in operation by May 1, 1974.

During March and April two of the Boeing 737 Jet aircraft underwent their first major air-frame overhaul. These overhauls were performed by Canadian Pacific Airlines at Vancouver. The costs incurred and the technical reports thereon were both encouraging and gratifying.

Your Airline has negotiated and signed new two-year contracts with the Union and Association representing its machinists, clerical staff and station agents. The contracts with the Association representing the Airline's pilots and stewardesses are to be re-negotiated in October with operations officers following immediately thereafter.

In the Shareholders Report for the first quarter your Airline highlighted the increases in costs which have been revealing themselves this year. Recent wage settlements have added to these costs. Substantial analytical work is being undertaken in the Airline with a view to determining what action is necessary to control costs and / or offset cost increases. Your Airline believes as a result of these analyses that a fare increase will be both necessary and justified in the near future.

Traffic volumes in July indicate a record month and if the trend continues the 500,000 passenger plateau should be attained by year end.

A. J. Lewington
President & Chief Executive Officer

EASTERN PROVINCIAL AIRWAYS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Earnings

FOR THE SIX MONTHS ENDED JUNE 30, 1973

(With Comparative Figures for 1972)

(Unaudited)

	1973	1972
	(in thousands of dollars)	
REVENUE		
Scheduled Operations	\$8,902	7,188
Government Subsidies		
— 1973 Estimated	875	890
Charter	197	633
	<u>9,974</u>	<u>8,711</u>
EXPENSES		
Operating	8,676	7,639
Depreciation and Amortization	475	360
	<u>9,151</u>	<u>7,999</u>
EARNINGS FROM OPERATIONS	<u>823</u>	<u>712</u>
OTHER INCOME	<u>428</u>	<u>327</u>
	<u>1,251</u>	<u>1,039</u>
INTEREST AND DEBT EXPENSE	<u>276</u>	<u>265</u>
EARNINGS BEFORE PROVISION FOR DEFERRED INCOME TAXES	<u>975</u>	<u>774</u>
PROVISION FOR DEFERRED INCOME TAXES	<u>453</u>	<u>368</u>
NET EARNINGS	<u>522</u>	<u>406</u>
BASIC EARNINGS PER SHARE	<u>41.0¢</u>	<u>40.6¢</u>
FULLY DILUTED EARNINGS PER SHARE	<u>39.1¢</u>	<u>40.6¢</u>

Consolidated Statement of Source and Application of Funds

FOR THE SIX MONTHS ENDED JUNE 30, 1973

(With Comparative Figures for 1972)

(Unaudited)

	1973	1972
	(in thousands of dollars)	
FUNDS PROVIDED BY		
Operations		
Net Earnings for the Period	\$ 522	406
Non-Cash Charges Against Earnings-Net	515	670
Funds Provided From Operations	<u>1,037</u>	<u>1,076</u>
Long-Term Borrowings	5,018	1,097
Sale of Fixed Assets	362	79
Total Funds Provided	<u>6,417</u>	<u>2,252</u>
FUNDS APPLIED TO		
Property and Equipment		
— Aircraft and Spares	6,418	282
— Other	352	82
Long-Term Debt	206	467
Dividends	94	—
Total Funds Applied	<u>7,070</u>	<u>831</u>
INCREASED (DECREASE) IN WORKING CAPITAL	<u>\$(653)</u>	<u>1,421</u>